

## **LONDON AIRCRAFT INSURANCE POLICY**

### **SECTION FIVE AVIATION PREMISES AND HANGARKEEPERS' LIABILITY INSURANCE**

This insurance is only in place when an amount is inserted against the appropriate Limit of Liability in the Schedule.

To pay on behalf of the Insured all sums which the Insured shall become legally liable to pay as damages for Bodily Injury or Property Damage caused by an Occurrence and arising out of the hazards set forth in Coverages A and B below.

#### **COVERAGE A – AVIATION PREMISES LIABILITY**

Bodily Injury or Property Damage occurring in or about the Insured's aviation premises as a direct result of the services granted by the Insured, caused by the fault or negligence of the Insured or by any defect in the Insured's premises, ways, works, machinery or plant used in the Insured's aviation business.

Exclusions Applicable to Coverage A

This Coverage A does not apply to:

- (A) Property Damage to property owned by, rented to, leased or occupied by, whilst being handled, serviced or maintained by the Insured, but this exclusion shall be deemed not to apply to vehicles that are not the property of the Insured whilst on the Insured's premises.
- (B) Bodily Injury or Property Damage caused by any ships, vessels, craft or aircraft owned, chartered, used or operated by or on account of the Insured, but this exclusion shall be deemed not to apply to aircraft owned by others which are On the Ground and for which indemnity is otherwise granted under Coverage B.
- (C) liability for which compulsory insurance or security is required by any applicable law governing road traffic or, in the absence of any applicable law, to liability arising from the use of any vehicle upon the public highway.

In respect of any such liability arising from an Occurrence within the confines of an airport or airfield this exclusion does not apply:

- (i) if there is no such applicable law;
- (ii) to the liability of the Insured to pay an amount which is excess of:
  - a) any prescribed limit that is required to be insured where insurance may be effected to comply with the law whether the Insured effects an insurance policy in respect of such liability or not
  - b) the limit of liability of the insurance policy effected by the Insured insuring such liability whichever is the greater.
- (D) Bodily Injury or Property Damage arising out of any airmeet, air race, or air show or any stand used or the accommodation of spectators in connection therewith, unless previously agreed by the

Insurers.

- (E) Bodily Injury or Property Damage arising out of the construction of, demolition of or alterations to buildings, runways or installations by the Insured or their contractors or sub-contractors (other than normal maintenance operations) unless previously agreed by the Insurers.
- (F) Bodily Injury or Property Damage arising out of any goods or products manufactured, constructed, altered, repaired, serviced, treated, sold, supplied or distributed by the Insured after such goods or products have ceased to be in the possession or under the control of the Insured, but this exclusion shall be deemed not to apply to the supply, by the Insured, of food or drink at the Insured's premises
- (G) any obligation for which the Insured or their Insurer may be held liable under any Employers' Liability or Workers' Compensation law, unemployment compensation or disability benefits law, or under any similar law, or to Bodily Injury of any employee of the Insured arising out of and in the course of the employee's employment by the Insured.
- (H) liability arising out of the operation of an airfield control tower unless previously agreed by the insurers.

#### **COVERAGE B – HANGARKEEPERS' LIABILITY**

Property Damage to aircraft or aircraft equipment not owned, rented or leased by or loaned to the Insured occurring whilst in Flight or On the Ground in the care, custody or control of or whilst being serviced, handled or maintained by the Insured.

Exclusions applicable to Coverage B

This Coverage B does not apply to:

- (A) Property Damage to robes, wearing apparel, personal effects or merchandise of any description.
- (B) Property Damage to aircraft or aircraft equipment, owned, rented or leased by or loaned to the Insured.

#### **PAYMENT OF DEFENSE, SETTLEMENT EXPENSES AND COSTS**

With respect to the insurance afforded under this Section the Insurers will:

- (A) Defend any suit against the Insured alleging Bodily Injury or Property Damage even if such suit is groundless, false or fraudulent, but the Insurers may make such investigation, negotiation and settlement of any claim or suit as they deem expedient.
- (B) Pay the following:
  - (i) Costs and expenses incurred in the DEFENSE of any such suit;
  - (ii) Premiums on bonds to release attachments for an amount not in excess of the Limit of Liability of this Section and premiums on appeal bonds required in any such defended suit, but without any obligation to apply for or furnish any such bonds;
  - (iii) Costs recoverable against the Insured and interest accruing after entry of judgment until the Insurers have paid, tendered or deposited in court such part of such judgment as does not exceed the applicable limit of the Insurers' liability. In the event that the amount of the

judgment exceeds the applicable limit of the Insurers' liability, the Insurers shall only be liable to pay for that proportion of the said costs and interest which the applicable limit of Insurers' liability bears to the amount of such judgment.

The amounts incurred with the consent of the Insurers hereunder are payable by the Insurers in addition to the applicable Limit of Liability of this Section.

### **EXCLUSION APPLICABLE TO COVERAGES A AND B**

This Section does not apply to the cost of making good any faulty workmanship for which the Insured, their contractors or sub-contractors may be liable (but this limitation shall not exclude resulting damage arising out of such faulty workmanship).

#### Definitions

Wherever used in this Section the following terms apply:

(A) Bodily Injury

Bodily Injury means bodily injury, sickness or disease, including death at any time resulting therefrom.

(B) Flight

Flight means the time commencing with the actual take-off run of the aircraft and continuing thereafter until it has completed its landing run. With respect to helicopters Flight shall be deemed to mean whilst the rotors are in motion.

(C) Insured

Insured means the Insured named herein and includes any executive officer, employee, partner, director or shareholder thereof while acting within the scope of their duties as such.

(D) Occurrence

Occurrence means an accident or incident or a continuous or repeated exposure to conditions occurring during the Policy Period which results in Bodily Injury or Property Damage neither expected nor intended from the standpoint of the Insured. All damages arising out of exposure to substantially the same general conditions shall be deemed to arise out of one Occurrence.

(E) On the Ground

On the Ground means at all times the aircraft is not in Flight.

(F) Property Damage

Property Damage means physical loss of or damage to or destruction of tangible property, including the loss of use of such property.

#### Conditions

(A) Cancellation

This Section will terminate automatically in the event the Aviation Products and Grounding Liability Insurance, to which this Section is attached, is cancelled or terminated.

(B) Reasonable Care

The Insured shall and will at all times exercise reasonable care in seeing that the ways, implements, plant, machinery and appliances used in the Insured's business are substantial and sound and in proper order and fit for the purpose for which they are used, and that all reasonable safeguards and precautions against accidents are provided and used.

(C) Compliance

The Insured shall comply with all applicable international and government regulations and civil instructions.

**AVIATION PRODUCTS RECALL EXTENSION – IF APPLICABLE**

For attachment to Section One

This Extension is only in place when an amount is inserted against the appropriate Limit of Liability in the Schedule.

The Insurers will reimburse the Insured for 90% of the Expenses incurred by or on behalf of the Insured for the recall of any Aviation Product(s) under a Mandatory Order of Civil Aviation Authority of the United Kingdom (CAA) or the Federal Aviation Administration of the United States of America (FAA), or any similar civil aviation authority issued during the Policy Period because of an existing, alleged or suspected like defect, fault or condition in an Aviation Product. All such Expenses incurred by the Insured shall attach to the Policy Period in which the Mandatory Order is issued.

**Definitions**

Wherever used in this Extension the following terms apply:

(A) Aircraft

Aircraft means aircraft and shall be deemed to include Missiles, air cushion vehicles/hovercraft, lighter-than-air aircraft and helicopters.

(B) Aviation Product

Aviation Product means a completed Aircraft and any article forming part thereof or supplied for installation in, or for use in connection with, or for spare parts for an Aircraft, including ground handling tools and equipment and also means training aids, instructions, manuals, blueprints, engineering or other data or any article in respect of which engineering or other advice and services and labour have been given or supplied by the Insured in connection with an Aircraft.

(C) Expenses

Expenses means the reasonable and necessary costs of communications, transportation and advertising, the cost of hire of additional personnel, overtime payments to regular personnel and the out-of-pocket expenses of such personnel, exclusively incurred as a result of the recall and shall include costs necessarily incurred by the Insured for the physical examination of the Aviation Product and the costs incurred for the installation of a replacement Aviation Product but excluding the cost of such replacement Aviation Product.

(D) Insured

Insured means the Insured named herein and includes any executive officer, employee, partner, director or shareholder thereof while acting within the scope of their duties as such.

(E) Launch Vehicle

Launch Vehicle means any vehicle, including parts detached en route, designed, constructed or intended to place into space or into orbit any Space Vehicle or Satellite and shall include both manned and unmanned vehicles.

(F) Mandatory Order

Mandatory Order means any order requiring immediate modification, inspection or action to be performed under the emergency airworthiness directives of the CAA or the immediately adopted rule or immediate safety-of-flight rules of the FAA, or the equivalent rule, directive or procedure of any similar civil aviation authority.

(G) Military Aviation Product

Military Aviation Product means an Aviation Product whilst owned by or used by or in the possession of the armed services of any government provided that an Aviation Product leased or chartered to the armed services of any government shall be deemed not to be a Military Aviation Product.

(H) Missile

Missile means any non-manned, self-propelled device (other than a Launch Vehicle) capable of free flight, whether self-controlled or not, and includes any ground support or control equipment used in connection therewith.

(I) Space Vehicle or Satellite

Space Vehicle or Satellite means a spacecraft or satellite including parts detached en route designed to travel to and/or from or into space or any orbit.

Exclusions

This Extension does not apply to:

(A) the recall of any Missile, Space Vehicle, Satellite or Launch Vehicle or any Aviation Product forming a part thereof.

(B) the recall of any Military Aviation Product.

(C) the cost of repair or replacement of, or the cost of any research and development to eliminate a defect, fault or condition in a recalled Aviation Product.

(D) the loss of use of the Aviation Product the subject of the recall.

(E) loss which is covered under Coverages A and B of Section One of the Policy to which this Extension is attached.

(F) the recall of any Aviation Product after its safe operational life, as designated by the manufacturer or the CAA or FAA, or any similar civil aviation authority, has been reached or exceeded.

Conditions

(A) Cancellation

This Extension will terminate automatically in the event the Aviation Products and Grounding Liability Insurance, to which this Extension is attached, is cancelled or terminated.

(B) Notice of Fact or Circumstances

If the Insured becomes aware of any fact or circumstance which may reasonably be expected to give rise to a recall of any Aviation Product(s), the Insured shall immediately advise the CAA or FAA or any similar civil aviation authority and then give written notice to the Insurers as soon as practicable thereafter. Such notice shall be given to the Insurers through their authorized agents.

(C) Continued Recall After Policy Period

Should this Extension expire while a recall is in progress coverage hereunder shall continue in respect of such recall until the recall has been completed or until the Limit of Liability contained herein with respect to Expenses incurred has been exhausted or until the expiry of 12 months beyond the expiry of the Policy, whichever first occurs

(D) Limit of Liability

The Limit of Liability of the Insurers shall be 90% of the Limit of Liability shown against Aviation Products Recall Extension in the Schedule.

WARRANTED REMAINING 10% UNINSURED

This Extension is also subject to the definitions, exclusions and conditions that apply to Section One to which this Extension attaches insofar as they can apply.

**PERSONAL INJURY EXTENSION**

For attachment to Sections Two to Five

This Extension is only in place when an amount is inserted against the appropriate Limit of Liability in the Schedule.

The insurance provided by this Policy extends to indemnify the Insured for legal liability for damages awarded to any person arising out of one or more of the following offences committed during the Policy Period but only where such offences are committed in connection with that part of the Insured's aviation operations or interests for which other coverage is granted by the Policy:

1. False arrest, restraint, detention or imprisonment.
2. Malicious prosecution.
3. Wrongful entry, eviction or other invasion of the right of private occupancy.
4. Inadvertent discrimination with respect to withholding or refusal of transportation except with respect to overbooking.
5. The publication or utterance of a libel or slander or of other defamatory or disparaging material in violation of an individual's right of privacy except publication or utterance in the course of

or related to advertising, broadcasting or telecasting activities conducted by or on behalf of the Insured.

6. Incidental medical malpractice error or mistake by a physician, surgeon, nurse, medical technician or other person performing medical services but only for or on behalf of the Insured in the provision of emergency medical relief.

The following additional exclusions shall apply to this extension:

- a. liability assumed by the Insured by agreement under any contract unless such liability would have attached to the Insured even in the absence of such agreement,
- b. liability arising out of the wilful violation of penal statute or ordinance committed by or with the knowledge or consent of the Insured,
- c. liability arising out of offence 5 above,
  - i. if the first injurious publication or utterance of the same or similar material was made prior to the effective date of this insurance
  - ii. if such publication or utterance was made by or at the direction of the Insured with the knowledge of the false nature thereof,
- d. liability directly or indirectly related to the past, present or potential employment of any person by the Insured.

The Limit of Liability applicable to this extension is as stated in the Schedule.

All other terms and conditions of this Policy remain unchanged.

With respect to cover provided in Section Three of the Policy, in the event of a combined claim under the aircraft operator's policy and this Policy, the total liability under this Personal Injury Extension and the aircraft operator's policy combined shall not exceed the Limit of Liability stated in the Policy Schedule for Personal Injury.

AVN 60(A) 24.01.2004 (amended)

The cover provided by the Personal Injury Extension in relation to Section Three of this Policy only applies where the aircraft operator's policy contains the same or similar cover.

**GENERAL EXCLUSIONS APPLICABLE TO ALL SECTIONS**

- A) NUCLEAR RISKS EXCLUSION CLAUSE AVN 38B 22.7.96
- B) CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999 EXCLUSION CLAUSE AVN 72 9.2.2000
- C) NOISE AND POLLUTION AND OTHER PERILS EXCLUSION CLAUSE AVN 46B 1.10.96
- D) WAR, HI-JACKING AND OTHER PERILS EXCLUSION CLAUSE (AVIATION) AVN 48B 1.10.96
- E) ASBESTOS EXCLUSION CLAUSE 2488AGM00003 (=AVN 96 17.3.04)
- F) DATE RECOGNITION EXCLUSION CLAUSE AVN 2000A 14.03.01

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*In this Policy Form the Clauses above are given in full, however insofar as they have been included in this Form Book they are presented only by their headings (Translator's remark)*

**GENERAL CONDITIONS APPLICABLE TO ALL SECTIONS**

(A) Policy Period

This Policy applies only with respect to Occurrences which take place during the Policy Period provided that an Occurrence involving a missing or unreported aircraft shall be deemed to occur at the time such aircraft commences flight or is last reported, whichever last occurs. The Policy Period shall commence and end on the dates stated in the Schedule.

(B) Limit of Liability

The Limit of Liability of the Insurers for damages shall be as set forth in the Schedule.

In the event of more than one Insured being covered by this Policy, each shall have the same protection as would have been available had this Policy been issued individually to each of them; provided, however, that the inclusion hereunder of more than one Insured shall not operate to increase the liability of the Insurers beyond the amount for which they would have been liable had there been only one person or entity insured under this Policy.

(C) Premium

The Insured shall pay the premium stated in the Schedule. Should this premium be a minimum and deposit premium the Insured shall, on the expiration of the Policy, declare to the Insurers the amount of their Turnover during the Policy Period and the earned premium shall be calculated by applying the rates as set out in the Schedule.

In the event of the earned premium so calculated exceeding the minimum premium the Insured shall pay to the Insurers the difference. If the earned premium so calculated is less than the minimum premium no return of premium shall be made.

(D) Non-payment of Premium

In the event of non-payment of premium by the Insured this Policy may be cancelled by or on behalf of the Insurers provided 10 days notice be given to the Insured at their last address.

(E) Material Change

Should there be any material change in the circumstances or nature of the risks which are the basis of this contract the Insured shall give immediate notice thereof to the Insurers and no claim arising subsequent to such change shall be recoverable hereunder unless such change has been accepted by the Insurers.

(F) Assignment

This Policy shall not be assigned in whole or in part except with the consent of the Insurers verified by endorsement hereon.

(G) Notice of Occurrence or Grounding



When an Occurrence or Grounding takes place, written notice shall be given by or on behalf of the Insured to the Insurers through their authorized agents appointed for this purpose (as set forth in the Schedule) as soon as practicable.

Such notice shall contain reasonably obtainable information respecting the time, place and circumstances of the Occurrence and the names and addresses of available witnesses.

(H) Notice of Claim or Suit

If claim is made or suit is brought against the Insured, the Insured shall as soon as practicable forward to the Insurers' authorized agents appointed for this purpose every demand, notice, summons or other process received by them or their representatives.

(I) Assistance and Co-operation of the Insured

The Insured shall co-operate with the Insurers and, upon the Insurers request shall attend hearings and trials and shall assist in effecting settlements, securing and giving evidence, obtaining the attendance of witnesses and in the conduct of suits.

(J) Action against the Insurers

No action shall lie against the Insurers unless, as a condition precedent thereto, the Insured shall have fully complied with all the terms of this Policy, nor until the amount of the Insured's obligation to pay shall have been finally determined either by judgment against the Insured after actual trial or award against the Insured in any arbitration proceedings against which Insurers do not wish to appeal or by written agreement of the Insured, the claimant and the Insurers.

Nothing contained in this Policy shall give any person or organisation any right to join the Insurers as a co-defendant in any action against the Insured to determine the Insured's liability.

(K) Subrogation

In the event of any payment under this Policy, the Insurers shall be subrogated to all the Insured's rights of recovery therefor against any person or organisation. The Insured shall do whatever is necessary to secure such rights and shall co-operate with the Insurers and, upon the Insurers' request, shall assist in effecting settlement, securing evidence, obtaining attendance of witnesses and in the conduct of suits. Any expenses incurred upon such request of the Insurers shall be paid by the Insurers.

(L) Inadvertent Errors or Omissions

Inadvertent errors or omissions or failure to give notice to the Insurers as herein required shall not relieve the Insurers of liability under this Policy, provided that such error or omission or failure shall be corrected as soon as discovered.

(M) No Admission

No liability shall be admitted and no admission, arrangement, offer, promise or payment shall be made by the Insured without the written consent of the Insurers.

(N) Contribution

If the Insured has other insurance against loss covered by this Policy, the Insurers shall not be liable for a greater proportion of such loss than the Limit of Liability stated in the Schedule bears to the limit of indemnity of all valid and collectible insurance against such loss.

(O) Law and Jurisdiction

This Policy shall be governed by the laws of England and Wales whose courts shall have exclusive jurisdiction in any dispute arising hereunder between the parties to this contract.

(P) Misrepresentation

By acceptance of this Policy the Insured agrees that the information provided for this insurance are their representations and that this Policy is issued in reliance upon the truth of such representations. Any misrepresentation by the Insured or their duly authorized representative or agent will void this Policy.

(Q) Cancellation

This Policy may be cancelled at any time at the written request of the Insured or may be cancelled by or on behalf of the Insurers provided (except as otherwise provided) not less than thirty (30) days notice in writing be given.

The premium to be retained by the Insurers in the event of cancellation by the Insured shall be calculated as follows:

(a) If the premium is on an adjustable basis: the earned premium hereon for the period that this Policy has been in force or the short rate proportion of any minimum premium calculated in accordance with the scale specified in the Schedule, whichever is the greater.

(b) If the premium is on a non-adjustable basis: the short rate proportion thereof calculated in accordance with the scale specified in the Schedule.

In the event of cancellation by the Insurers the premium due to the Insurers shall be calculated as in (a) and (b) above except that pro rata proportion shall be substituted for short rate proportion. Notice of cancellation by the Insurers shall be effective even though the Insurers make no payment or tender of return premium.

If the period of limitation relating to the giving of notice is prohibited or made void by any law controlling the construction hereof, such notice shall be deemed to be amended so as to be equal to the minimum period of limitation permitted by such law.

(R) Fraud

If the Insured shall make any claim knowing the same to be false or fraudulent, as regards amount or otherwise, this Policy shall become void and all claim hereunder shall be forfeited.

(S) Contractual Liability

The inclusion of additional Insureds, hold harmless agreements, indemnities, waivers of subrogation and contractual agreements agreed by the insurers of previously issued policies are automatically incorporated herein.

This Policy does not apply to any liability assumed by the Insured under any contract or agreement, including a warranty of Aircraft Products, other than as may be assumed under any standard

commercial sales contract or sales agreement, greater than the liability which would have been imposed by law in the absence of any express contract or assumption of liability;

Nothing in the foregoing paragraphs shall be considered to extend the scope of this Policy to risks not insured hereunder unless the same has been agreed by the Insurers subscribing to this Policy.

AVN 98 7.3.07

*In common with all AICG produced AVN Clauses, this Clause is published by AICG, but it is expressly non-binding and AICG makes no recommendation as to its use in particular policies. Insurers are of course free to offer different policy wordings and clauses to their policy holders.*

**AVIATION CANCELLATION SCALE**

(applicable to Annual Policies)

- 1 month on risk... ..... 20% annual premium
- 2 months on risk ... .....30% annual premium
- 3 months on risk ... .....40% annual premium
- 4 months on risk ... ..... .50% annual premium
- 5 months on risk... .....60% annual premium 6 months on risk... .. .70% annual premium
- 7 months on risk ... .. .75% annual premium
- 8 months on risk ... .. .80% annual premium
- 9 months on risk... .. .85% annual premium
- Over 9 months equivalent to Annual.

**SPACE COVERAGE ENDORSEMENT**

For attachment to Section One Aviation Products and Grounding Liability Insurance Endorsement attaching to and forming part of Policy No.

- 1 Exclusion (E) of Coverage A in Section One of the Policy is deleted.
- 2 Notwithstanding clause 1 of this Endorsement, Coverage A does not apply to Property Damage to any Space Vehicle or Satellite or any Aviation Product forming a part of such Space Vehicle or Satellite after the Operational Life of such Space Vehicle or Satellite has expired.
- 3 Definition applicable to this Endorsement:

Operational Life

Operational Life means such period of time as the manufacturer of any Space Vehicle or Satellite specifies in the original sales contract as the operational/service life of such Space Vehicle or Satellite.

#### 4 Limit of Liability

The following sub-limitations apply to the coverage afforded under this Endorsement:

4.1 The Limit of Liability for Property Damage to any one Satellite after such Satellite has been delivered to a launch site arising out of an Aviation Product installed on or used in connection with such Satellite is USD (except as provided in clause 4.2 below).

4.2 The Limit of Liability for Property Damage suffered by two or more Satellites on the same launch during the period from completed integration of the Satellites on board the Launch Vehicle until physical separation from the Launch Vehicle arising out of an Aviation Product installed on or used in connection with any of such Satellites is limited to USD..... any one Satellite.

Notwithstanding the foregoing provision the overall aggregate Limit of Liability shown in the Schedule shall not be exceeded.

5 This Endorsement does not apply to Property Damage to any Satellite removed from a launch site prior to its launch from the time of its removal until it arrives again at a launch site.

All other terms and conditions remain unchanged

Endorsement No. 1

(Inclusion of Space Products Coverage)

#### **SPACE EXCLUSION ENDORSEMENT**

For attachment to Section One Aviation Products and Grounding Liability Insurance

Endorsement attaching to and forming part of Policy No.

It is understood and agreed that this Policy shall not apply to any legal liability caused directly or indirectly by any Space Vehicle or Satellite or an Aviation Product forming a part of such Space Vehicle or Satellite.

Endorsement No. 2

(Exclusion of Space Products Coverage)